

Allow me to congratulate you on your efforts to effect much needed tax reform. I am pleased to provide comments on this subject, and the comments herein prescribe comprehensive reform to individual, corporate, and FICA tax.

These comments outline two plans for tax reform: (i) the 1/10/20/30 plan for individual income tax, and (ii) the gross margin tax (the “GMT”) and the employment equalization credit (the “EEC”) for corporate and business income tax. As part of these plans, FICA tax will be revoked.

The 1/10/20/30 plan and the GMT and EEC should result in revenue neutral reform. Multiple models were created to compute and estimate the tax under the 1/10/20/30 plan and the GMT and EEC. The government’s estimated tax revenue will remain approximately the same based on the assumptions used within the models. In particular, Appendix A provides schedules summarizing how the 1/10/20/30 plan will impact income taxes by taxpayer type (e.g., married, single, head of household) and by adjusted gross income (AGI). Another model estimated that 75% of Americans will owe less tax under the 1/10/20/30 plan. In addition, Exhibit 1 illustrates the expected revenue neutrality on corporate income tax revenues resulting from the adoption of the GMT and EEC. Both plans have the ability to achieve revenue neutrality as illustrated in the exhibit and appendix herein.

These comments do not constitute a complete list of all areas of reform needed for the tax code, but the vision and hope of these comments is to facilitate discussion of additional tax alternatives that will simplify the tax code, facilitate economic growth, and make taxes more “fair.”

**These comments are provided by me as a private citizen, and this personal communication in no way indicates that it is made on behalf of, nor endorsed or supported by, my employer or any client of my employer.**

## **I. Simple and Fair Tax Reform**

The U.S. tax system needs an overhaul. Taxes should be simple and fair, but we know that the U.S. tax system is time-consuming, complicated, and unfair. The more complex the tax law, the more unfair it becomes. Here are a couple of the primary problems with the U.S. tax system:

- The complex tax code results in the tax system being unfair; only the wealthiest individuals and largest corporations can take full advantage of all the tax breaks by employing tax specialists; and
- The tax code currently rewards businesses for offshoring jobs by not requiring such businesses to bear all costs related to unemployment.

To solve these problems, I propose herein two plans to remove the unfair complexity from the tax code and reform the business tax regime to ensure that the tax code is simple and fair.

- First, the 1/10/20/30 plan will reform individual income tax. The 1/10/20/30 plan will use modified graduated rates (*i.e.*, 1%, 10%, 20%, and 30%) and simplify taxes by eliminating all itemized deductions, tax credits, FICA tax, preferential tax rates, and the alternative minimum tax (“AMT”).
- Second, the Gross Margin Tax (“GMT”) and Employment Equalization Credit (“EEC”) will reform business income tax. The GMT and EEC will eliminate the errors in the tax code that

encourage businesses to offshore jobs and will create the appropriate measures to ensure businesses that offshore jobs are responsible for the costs of unemployment on society.

## **II. The Problems**

### **A. How the U.S. tax system encourages offshoring**

The current income tax on businesses encourages offshoring. U.S. businesses are taxed on their “worldwide income,” but there is a simple structure that company’s use to avoid or defer U.S. income tax on worldwide income. To avoid U.S. income tax, a U.S. business simply creates a foreign corporation to operate overseas; the U.S. generally does not tax income of the foreign corporation until the foreign corporation makes a distribution to its U.S. owner(s). Therefore, as long as the foreign corporation never makes a distribution of its earnings, the U.S. never collects the tax. Many U.S. businesses choose to “permanently reinvest” those foreign earnings, which effectively means they plan to never make a distribution and never pay U.S. tax.

If we step back and think about this tax system, we realize the system is broken: if U.S. businesses offshore operations, then U.S. businesses never have to pay U.S. income tax until the cash comes back to the U.S. In other words, ship jobs overseas, reduce your tax burden, and don’t send the money back to the U.S. to avoid paying tax in the U.S. What business wants to bring money back to the U.S. just to pay taxes on it? What business wants to keep jobs in the U.S., when as long as they ship the jobs overseas they can pay less income tax? Clearly, businesses are having a hard time convincing investors that it is a good idea to keep jobs in the U.S. because the tax system is broken and rewards offshoring.

### **B. How FICA tax discourages businesses from creating U.S. jobs**

FICA tax is also a part of the problem of our broken tax system. Anything that increases the overall cost of employing a U.S. individual discourages U.S. job creation. The FICA tax taxes businesses (and individuals) on employee wages. The more businesses pay employees, the more FICA tax businesses must pay. The cost of FICA tax directly increases the cost of hiring someone in the U.S., and the additional tax cost encourages businesses to use lower-cost foreign labor.

### **C. The Complex, Unfair U.S. Individual Income Tax**

The complex U.S. tax code has created an environment where those that have the most wealth and income benefit the most from the complexity. The complexity comes from laws related to the numerous deductions, credits, and the AMT that require additional time to understand the tax law and also allow for additional tax abuse by those willing to commit fraud. In addition, FICA tax and preferential tax rates also create additional complexity and unfairness as employment income is taxed at a much higher rate than investment income.

#### **1. Itemized deductions and tax credits**

Itemized deductions and tax credits are unfair, complicated, and time-consuming. Tax credits and itemized deductions waste taxpayers’ time because taxpayers must spend time verifying whether they have sufficient expenses to qualify to itemize deductions. However, the majority of people do not benefit from itemized deductions, so the majority of people waste time determining that they receive no benefit. In addition, claiming an itemized deduction or tax credit requires knowledge of the tax credit or deduction and takes time to comply with and compute the tax credit or deduction. For those that are unaware of these tax incentives, they potentially lose out when they do not claim the tax credits or

deductions. On the other hand, those with sufficient means can employ tax experts who can assist taxpayers in identifying and claiming these deductions or credits. As a result, itemized deductions and tax credits disproportionately benefit high-income individuals, because lower income earners typically do not have expenditures that exceed the threshold of the standard deduction. The following chart illustrates the amount of itemized tax deductions claimed by taxpayers based on taxable income.<sup>1</sup>

**Chart 1**

Size of adjusted gross income	Number of Returns	Average AGI	Number of Returns Claiming Standard Deductions	Number of Returns Claiming Itemized Deductions	Average Itemized Deductions
<b>All returns, total</b>	<b>140,494,127</b>	<b>54,283</b>	<b>92,268,979</b>	<b>45,695,736</b>	<b>26,344</b>
No adjusted gross income	2,511,925	-79,206	0	0	0
\$1 under \$5,000	10,447,635	2,605	10,005,431	439,203	18,261
\$5,000 under \$10,000	12,220,335	7,562	11,586,408	629,928	15,768
\$10,000 under \$15,000	12,444,512	12,493	11,517,694	922,814	16,017
\$15,000 under \$20,000	11,400,228	17,457	10,229,448	1,168,782	15,442
\$20,000 under \$25,000	10,033,887	22,441	8,713,252	1,319,637	16,146
\$25,000 under \$30,000	8,662,392	27,474	7,128,185	1,533,209	15,779
\$30,000 under \$40,000	14,371,647	34,782	10,750,692	3,619,951	15,774
\$40,000 under \$50,000	10,796,412	44,745	6,800,862	3,994,552	17,106
\$50,000 under \$75,000	18,694,893	61,464	9,422,368	9,272,525	19,081
\$75,000 under \$100,000	11,463,725	86,389	3,880,724	7,583,001	22,171
\$100,000 under \$200,000	13,522,048	133,223	2,067,568	11,454,028	28,999
\$200,000 under \$500,000	3,195,039	283,360	143,092	3,051,936	51,124
\$500,000 under \$1,000,000	492,567	674,096	16,720	475,847	101,513
\$1,000,000 under \$1,500,000	108,096	1,204,015	3,525	104,559	173,119
\$1,500,000 under \$2,000,000	44,273	1,719,969	1,248	43,015	237,821
\$2,000,000 under \$5,000,000	61,918	2,955,302	1,395	60,522	401,454
\$5,000,000 under \$10,000,000	14,322	6,807,231	241	14,079	909,522
\$10,000,000 or more	8,274	29,022,708	126	8,148	4,310,230

The chart above illustrates that of the 140.5 million returns filed only 45.7 million or 32.5% claimed itemized deductions. In addition, the benefit derived from itemized deductions is of most benefit to the 8,000 taxpayers (0.006%) that earn an average of \$29 million. This group claimed itemized deductions of \$4.3 million.

## 2. AMT

Another unnecessary complexity of the tax law is the alternative minimum tax (“AMT”). The AMT requires taxpayers to compute tax under two different systems, and then pay the greater amount of the two taxes. In addition, the AMT also resulted in minimum tax credits, which further complicates the tax process. Computing regular tax and AMT increases the amount of time it takes to comply with the law, and its purpose of ensuring taxpayers pay a “fair share” is unnecessary with the 1/10/20/30 plan (as described below). As such, the AMT fails the simple standard for income tax and should be eliminated.

<sup>1</sup> The chart above reflects (i) statistical data gathered from the IRS website, Individual Statistical Tables by Size of Adjusted Gross Income, Table 1.2 found at: <http://www.irs.gov/uac/SOI-Tax-Stats---Individual-Statistical-Tables-by-Size-of-Adjusted-Gross-Income>, and (ii) basic calculations to compute average AGI and average itemized deductions.

### **3. Special tax rates for different types of income**

FICA tax and preferential tax rates result in employment income being taxed at higher rates than all other forms of income. As employment income, or wages, is subject to both FICA tax and regular income tax, wages are the highest taxed form of income. On the other hand, tax exempt interest and preferential tax rates for capital gain income make investment income the cheapest form of income. Why should someone who already has a significant amount of wealth get a tax break with a preferential rate while everyone who works as an employee pays FICA tax plus income tax at ordinary rates?

**We all decide how to spend our time to generate income, but some people without wealth do not have the option to invest, while others with wealth only need to spend time considering investments. It is unfair that certain sources of income receive preferential rates while the most common form of income, wages, is penalized with the highest tax rate.**

### **III. The (really) bad news about the broken system**

The bad news is really bad. When a business fires someone in the U.S. to hire a cheaper foreigner, at first it seems pretty simple: the U.S. business saves money equal to the eliminated cost of the U.S. person and the incremental cost of the foreigner. However, now that the U.S. person is unemployed, that person is paying less income tax, so the U.S. government now has less to go around. Also, the U.S. government provides all sorts of unemployment and low-income benefits to the unemployed which increases government spending. With lower tax revenue and higher spending, it means there is less to pay for all the other government expenses. At some point, everyone's taxes will go up, so everyone is impacted. To summarize, here are the negative consequences:

- The unemployed individual loses the primary source of income;
- The government loses tax revenue from the unemployed individual and provides unemployment benefits resulting in increased government expenses; and
- All taxpayers share in the expense of unemployment because the government pays unemployment benefits out of tax revenue.

So the really bad news is the current tax system rewards businesses that fire Americans and go offshore by permitting such businesses to reap higher profits at the expense of everyone else in the U.S. All it takes is one business to decide to lay off a U.S. person and hire overseas, and everyone in the U.S. is affected. Why should one company be permitted to profit at the expense of everyone in the U.S. when the result is simply cash and jobs permanently leaving the U.S.? This is completely unfair and must be resolved.

#### **A. How bad is the problem?**

So how bad is the problem? How much does the government spend each year to support the unemployed, low income, and under employed? The following information was the most recent available at the time this document was written.

## Exhibit A<sup>2</sup>

<b>U.S. Government Stats</b>	
<b>Spending:</b>	
<b>Income Security</b>	<b>Costs</b>
Unemployment Insurance Administration	3,878,000,000
Unemployment Insurance Benefits	89,444,000,000
Housing Assistance	39,769,000,000
Discretionary: Other Income Security	10,168,000,000
Mandatory: Other Income Security	153,344,000,000
Discretionary: Food and Nutrition Service	7,540,000,000
Mandatory: Food and Nutrition Service	107,599,000,000
Subtotal	411,742,000,000
<b>Health</b>	
Children's Health Insurance Program (CHIP)	8,659,000,000
Medicaid	270,724,000,000
Health Resources and Services Administration	5,583,000,000
General Departmental Management	691,000,000
Sub Total Dept. of H&HS	285,657,000,000
<b>Total Spending on Unemployment Related Costs</b>	<b>697,399,000,000</b>

In Exhibit A above, the costs associated with unemployment for the U.S. Government are substantial. If unemployment were eliminated, a significant portion of these expenses would be eliminated. In addition, state governments also have costs associated with unemployment. Although the costs to the states are out of scope of this discussion, clearly there are extensive costs to both provide benefits and administer the benefits.

In addition, the lost wages of the unemployed also reduces the amount of individual income tax revenue of the U.S. government. Based on figures from the IRS, it appears the U.S. government is losing an estimated \$100 billion in tax revenue.<sup>3</sup>

By implementing the solutions described below, we can ensure that this \$697 billion cost is not forced upon us by those offshoring businesses, and such businesses are directly responsible for these costs. In addition, as the unemployed find jobs, they will earn more income (and pay more taxes). All of us will be better off if offshoring businesses are responsible for all the costs associated with unemployment.

### IV. How We Fix It

The problems are clear: (1) the current tax system unnecessarily complicates taxes and produces unfair results and (2) the current tax system encourages businesses to offshore jobs at the expense of everyone else in the U.S. So...how do we fix the U.S. tax system and create a simple and fair solution?

- Adopt the 1/10/20/30 plan for individual income taxes that eliminates itemized deductions, credits, and loopholes; and
- Implement the Gross Margin Tax ("GMT") and the Employment Equalization Credit ("EEC") for businesses.

<sup>2</sup> See [http://www.whitehouse.gov/omb/budget/Analytical\\_Perspectives](http://www.whitehouse.gov/omb/budget/Analytical_Perspectives); table 31-1.

<sup>3</sup> The amount of tax each individual pays is based on graduate rates, ranging from 0 to 35 percent, but the average tax rate for individuals is 17.8 percent. <http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html>.

## **A. The 1/10/20/30 plan explained**

The 1/10/20/30 plan provides a simple and fair solution that will eliminate confusion and further ensure everyone pays their fair share.

The 1/10/20/30 plan uses graduated tax rates (*i.e.*, 1%, 10%, 20%, and 30%); all income is taxed at these rates, so there will not be preferential and lower tax rates for certain types of investment income. In addition, basic tax rules generally will remain in place such as filing status (e.g., married or single). Further, rules that are in place to prevent tax avoidance or abuse schemes will remain in force.

The following chart summarizes the break down in the graduate rates of the 1/10/20/30 plan:

	1%	10%	20%	30%
Married Filing Jointly & Surviving Spouse	\$1 - \$25,000	\$25,001 - \$50,000	\$50,001 - \$75,000	\$75,001 and up
Head of Household	\$1 – \$16,667	\$16,668 - \$33,333	\$33,334 - \$50,000	\$50,001 and up
Single & Married Filing Separately	\$1 – \$12,500	\$12,501 - \$25,000	\$25,001 - \$37,500	\$37,501 and up

How does this affect you? Based on tax statistical information available from 2009, this plan will result in the same or lower tax burden for an estimated 75 percent of individuals (considering the elimination of FICA tax).<sup>4</sup> See Appendix A for details of the expected tax impact by taxpayer type and AGI. In addition, overall this reform is tax neutral.

## **B. The GMT and EEC**

The worldwide tax system is not working; it discourages businesses from repatriating cash to the U.S. for investment, and it rewards businesses that offshore jobs and operations. Because businesses face fierce global competition, a simple solution to tax business income is required. Further, because our government provides unemployment benefits, it is critical that our tax system no longer rewards businesses that offshore jobs resulting in increased unemployment and greater government expenses.

The simple and fair solution to tax global business income has three parts:

- Tax affiliate U.S. and foreign businesses as a single unit on their global revenues and only allow deductions for the cost of goods sold (“gross margin”), employee salaries, and employee benefits;
- Apportion the GMT liability based on U.S. sales versus foreign sales (some may consider this system comparable to a “territorial” tax regime); and
- Provide a credit (the “employment equalization credit” or “EEC”) to businesses for employing people in the U.S. that equals the government’s cost of unemployment benefits.

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<sup>4</sup> The 75% estimate is based on a detailed analysis and estimate of tax that distinguishes between standard and itemized deduction filers as well as taxpayers that pay \$0 tax.

This solution accomplishes many objectives:

- It is simple. It eliminates methods that tax planners and businesses use to avoid U.S. tax.
- It is simple. All businesses pay income on the sales within the U.S. regardless of where they operate.
- **It is fair. The EEC reassigns the cost of unemployment to the business responsible for the unemployment; we the people no longer bear the cost of unemployment.**
- It is fair. No longer will U.S. individuals that are more skilled than foreigners go unemployed because someone overseas is cheaper. The individuals with the most skill will get the job. It is fair because it goes both ways, if the foreigner is more skilled and effective, than the foreigner will get the job.

### 1. How the GMT and EEC work

The GMT coupled with the EEC creates a tax system that equates the cost to employ people in the U.S. to the cost in the global labor market. The GMT broadens the tax base by eliminating deductions unrelated to producing a good or service. The broader tax base allows for a reduced corporate tax rate and the tax base to support the EEC. The EEC ensures that businesses that do not use U.S. employees bear the costs of unemployment (by not receiving the benefit of the EEC).

The GMT generally is a tax on a business' gross margin, i.e., net revenues less the cost of the product or service. In addition, the GMT would allow businesses to deduct all employee-related expenditures (e.g., pension, profit sharing, benefits), and other losses.<sup>5</sup> The GMT would eliminate deductions unrelated to the cost of goods sold and employee wages and benefits.<sup>6</sup> By eliminating deductions unrelated to the cost of providing goods, services, and employee-related expenses, much of the tax code related to these expenses can be eliminated.

The GMT will also mitigate the problems associated with international taxation. The GMT will treat an entire business as a single entity. The single entity approach will be similar to corporate consolidated group rules, but this approach would match a group of entities with the accounting rules used for consolidating public companies.<sup>7</sup> As a single entity, whether headquartered in the U.S. or overseas, a business that operates in the U.S. will be taxed under the GMT based on the ratio of U.S. revenues to worldwide revenues.<sup>8</sup> As a result, only the proportionate income earned in the U.S. will be taxed in the

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<sup>5</sup> Other losses generally would include losses on investments or assets used in the business that are not permitted depreciation deductions (i.e., assets not used in the manufacture of goods or services).

<sup>6</sup> The tax reform called for in this document is also expected to greatly simplify the tax compliance process. By eliminating many superfluous deductions and tax credits for businesses, compliance with the tax law will be simplified. For example, anyone should be able to compare a publicly-traded company's tax return to a Form 10-K and match up the revenue and bad debt (i.e., net revenue), cost of goods sold, and taxes paid from the Form 10-K and the tax return. In addition, the IRS should easily be able to match up all employment related costs to the payroll filings a company makes. Further, U.S. revenues versus foreign revenues are generally documented in the Form 10-K, so any apportionment for multinational companies would also be easy to discover. As such, the tax compliance and audit process should be much simpler than the current tax regime.

<sup>7</sup> Public companies comply with U.S. GAAP and generally include within the consolidated group entities that they control (e.g., owning greater than 50%).

<sup>8</sup> Using a ratio to determine the tax due to a jurisdiction is the same methodology used for states. Generally, states tax business income on the ratio of the sales to the state over total sales (states can decide to consider payroll and property as well).

U.S. (similar to territorial tax regime proposals). Consistent with the single entity treatment, any dividend from a foreign entity to the U.S. will be ignored and not subject to separate taxation. By using a single entity approach to tax business income, we can eliminate much of the most complicated tax law and further simplify the tax code.

The companion to the GMT, the EEC, is the key element to properly assign the costs of unemployment to the businesses that fire and fail to hire U.S. persons. The EEC will be straightforward; a business receives a refundable tax credit for each U.S. individual it employs. The EEC will be computed based on data already gathered by the bureau of labor and statistics regarding job descriptions and national averages for labor costs.

To put the EEC in perspective and demonstrate how it would work, the following exhibit compares data compiled by the IRS regarding all corporate income tax for 2009 and contrasts the tax revenue from corporate income tax with the expected tax revenue generated with the EEC and GMT approach.



## EXHIBIT 1<sup>9</sup>

Comparison of Current Income Tax to the Margin Tax			
(in thousands)	<b>Income</b>		<b>Margin</b>
<b>Total receipts</b>	24,772,531,137		24,772,531,137
<b>LESS:</b>			
<b>Cost of goods sold</b>	13,286,300,393		13,286,300,393
<b>Compensation of officers</b>	428,085,257		428,085,257
<b>Salaries and wages</b>	2,430,417,317		2,430,417,317
<b>Bad debts</b>	379,381,535		379,381,535
<b>Pension, profit-sharing, etc., plans</b>	166,270,002		166,270,002
<b>Employee benefit programs</b>	336,333,981		336,333,981
<b>Other business deductions</b>	6,916,976,242		N/A
<b>Total receipts less total deductions</b>	828,766,410		7,745,742,652
<b>Constructive taxable income from related foreign corporations</b>	151,282,736		N/A
<b>Net income (less deficit)</b>	918,953,413		N/A
<b>Income subject to tax</b>	894,850,255	<b>Margin</b>	7,745,742,652
<b>Tax Rate</b>	35%		30%
<b>Total income tax before credits</b>	313,464,460		2,323,722,796
<b>Tax Credits</b>	(108,468,838)	<b>EEC</b>	(1,841,252,792)
<b>Total income tax after credits</b>	204,995,622		482,470,004
<b>Elimination of FICA Tax</b>		Note 1	(275,887,074)
<b>Adjusted Income Tax considering FICA benefit</b>	204,995,622		206,582,930

Note 1: The comprehensive tax reform, plan that includes the 1/10/20/30 plan, will eliminate FICA taxes. This figure is an estimate of the corporate business level FICA tax computed as follows:			
<b>Total Wages per 1040's</b>			5,707,088,487
<b>Total Wages deducted on Corporate Tax Returns</b>			3,704,733,987
<b>Fraction</b>			64.9%
<b>Total FICA taxes paid by businesses</b>	X		425,000,000
<b>Corporate Share of FICA Taxes</b>			275,887,074

<b>EEC Computation</b>			
<b>Total Wages</b>	Note 2		3,704,733,987
<b>EEC Credit Percentage</b>			50%
<b>EEC</b>			1,841,252,792

Note 2: Total Wages was determined by adding the corporate tax return lines for compensation of officers, salaries and wages, and cost of labor (cost of labor is included in the cost of goods sold figure above).			
<b>EEC Reconciliation</b>	Percent		\$ Amount
Total Wages	100%		3,704,733,987
Total Tax Deduction	-30%		(1,111,420,196)
EEC	-50%		(1,841,252,792)
Total Labor Cost to Businesses	20%		752,060,999

<sup>9</sup> Source data came from the following website: <http://www.irs.gov/uac/SOI-Tax-Stats-Corporation-Complete-Report>. Other information in Exhibit 1 related to FICA taxes is cited below at footnote 11.

As Exhibit 1 illustrates, in 2009 all U.S. corporations generated a total of \$24.8 trillion in revenue, and it cost those corporations \$13.3 trillion to produce the goods and services. As such, the gross margin (the net of revenue less cost of goods sold) was \$11.5 trillion. Corporations in 2009 paid \$205.0 billion in income taxes and an estimated \$275.9 billion in FICA taxes for a combined \$480.9 billion federal tax burden.

Further, Exhibit 1 illustrates the significant benefits that the GMT and EEC provide. First, the GMT and EEC can be implemented without increasing the overall tax burden.<sup>10</sup> The tax under the GMT and EEC is within a negligible difference of the 2009 income tax liability. Second, the GMT and EEC allow for a lower tax rate of 30 percent. Third, the GMT and EEC eliminate many deductions and tax credits and replace those deductions and credits with the EEC. The elimination of these deductions and credits results in less complexity and a more simple tax system. Fourth, the EEC, as illustrated above at Note 2 of Exhibit 1, results in an effective labor cost 80 percent less than the actual wages paid. By reducing the cost of labor, businesses will be able to hire in the U.S. and reduce unemployment without reducing their profit. Overall, the EEC and GMT will reward businesses for U.S. employment rather than other business deductions, simplify the tax code, lower the tax rate, and result in roughly the same tax revenue.

## **2. Where to Find Further Details on the GMT and EEC**

This document was intended to provide high-level insight into the GMT and EEC. Additional information regarding the reasons for the GMT and EEC and additional illustrations of the impact of adoption can be found at [http://www.wikihost.org/w/solutions/solving\\_unemployment](http://www.wikihost.org/w/solutions/solving_unemployment).

## **V. Conclusion**

We must reform the tax code because the current tax system unnecessarily complicates taxes, produces unfair results, and encourages businesses to offshore jobs at the expense of everyone in the U.S. For too long the complicated system has been rewarding those that can afford to pay for the expertise to navigate the tax law, and the tax law regrettably rewards businesses that fire U.S. employees to hire foreigners.

The 1/10/20/30 plan and the GMT and EEC will simplify the tax system and ensures no one will pay more than their fair share. The 1/10/20/30 plan provides the simple and fair solution that everyone can understand and will save enormous amounts of time and expense associated with the tax compliance process. The GMT and EEC will properly align the costs of unemployment with the businesses that cause unemployment, and it will allow businesses to make hiring decisions based on employee skill rather than cost. As such, both the 1/10/20/30 plan and the GMT and EEC should be implemented to resolve the problems of complexity and unfairness described herein.

## **Addendum of Open Items**

The 1/10/20/30 plan and the GMT and EEC do not address every tax problem; for example, I have read other proposals regarding expats and capital expenditures that would still need to be considered. The following are comments regarding some of the proposals submitted and available online.

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<sup>10</sup> Similar models were computed on partnership, S corporation, and sole proprietor income, with strikingly similar results of an overall neutral impact on tax revenue using the EEC and GMT system while reducing the tax rate to 30%.

In regard to expat wages, perhaps expats wages earned while overseas could be entirely excluded from taxation in the U.S., similar to sourcing rules to be used for business income under the GMT. Such treatment would be consistent with a territorial regime and be consistent with the elimination of the complicated FTC as proposed herein.

In regard to capital expenditures, some have called for immediate expensing of capital expenditures for tax purposes to promote economic growth. At this time, whether additional stimulus for economic growth is needed based on the EEC and GMT remains unclear. The EEC and GMT may create the largest permanent long-term incentive for strengthening economic growth in the U.S. In addition, the simple tax reform envisioned for the GMT attempts to minimize book-tax differences, so the extent to which special tax treatment for capital expenditures is in harmony with simplifying the tax code might need to be considered.

In regard to R&D credits, the EEC provides significantly more incentive for increasing R&D than the current R&D credit. Because the EEC provides approximately a 50% credit for U.S. labor costs, any business that performs R&D in the U.S. presumably will receive substantially more tax credit under the EEC than the R&D credit.

Finally, some have proposed that raising tax rates on capital gains and dividends may “hurt” investment and be harmful to economic growth. I have not performed any studies nor do I intend to spend time rebutting the studies performed. However, I respectfully disagree and do not believe such arguments justify preferential rates for investment income. As stated herein, every individual decides how to spend their time to earn a living. An individual can choose any number of activities in an attempt to earn a living, for example, investing their wealth to earn investment income, running a business to earn business income, or working as an employee earning wage income. Yet, those without wealth cannot afford to spend their time investing something they do not have. Should individuals that have no means to invest be penalized with higher tax rates because they earn a living by working as an employee? I have written herein that having different tax rates based on the type of income earned adds unnecessary complexity and is unfair to those that earn a living working as employees. As such, I believe we must discontinue using special tax rates for the different methods of earning a living; otherwise the tax system will continue its unfair treatment of higher taxation to all those who earn a living as an employee or running a business.

## Appendix A<sup>11</sup>

Taxpayer	Size of adjusted gross income ("AGI")	Number of Returns	(in thousands)		(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
			AGI	Average AGI	Current Income Tax	Estimated FICA Tax	Total Income and FICA Tax	1/10/20/30 Tax	Difference
Total	All returns, total	140,494,127	7,626,430,723	54,283	865,948,695	425,000,000	1,290,948,695	1,279,860,238	11,088,457
MFJ	All returns, total	53,570,158	4,964,406,759	92,671	614,475,742	237,821,406	852,297,148	904,294,175	(51,997,027)
MFJ	No adjusted gross income	803,536	(126,688,069)	(157,663)	52,446	1,174,820	1,227,266	0	1,227,266
MFJ	\$1 under \$5,000	852,224	2,197,062	2,578	1,470	158,692	160,162	21,971	138,192
MFJ	\$5,000 under \$10,000	1,238,790	9,547,731	7,707	0	524,803	524,803	95,477	429,326
MFJ	\$10,000 under \$15,000	1,911,404	24,015,034	12,564	237	1,264,435	1,264,672	240,150	1,024,521
MFJ	\$15,000 under \$20,000	2,076,035	36,489,656	17,577	1,617	2,090,915	2,092,532	364,897	1,727,636
MFJ	\$20,000 under \$25,000	2,341,212	52,520,529	22,433	52,985	3,187,931	3,240,916	525,205	2,715,711
MFJ	\$25,000 under \$30,000	2,251,098	61,874,367	27,486	277,252	3,808,158	4,085,410	1,122,466	2,962,943
MFJ	\$30,000 under \$40,000	4,379,940	153,532,651	35,054	1,682,149	9,619,721	11,301,870	5,498,400	5,803,470
MFJ	\$40,000 under \$50,000	4,090,486	183,542,303	44,871	4,091,371	11,321,047	15,412,418	9,150,637	6,261,781
MFJ	\$50,000 under \$75,000	10,322,929	643,845,076	62,370	28,339,174	38,837,822	67,176,996	53,927,780	13,249,216
MFJ	\$75,000 under \$100,000	8,557,969	742,664,138	86,780	48,315,158	44,743,101	93,058,259	96,569,199	(3,510,940)
MFJ	\$100,000 under \$200,000	11,347,616	1,520,778,223	134,017	166,410,222	87,680,961	254,091,183	288,856,131	(34,764,948)
MFJ	\$200,000 under \$500,000	2,777,616	786,669,345	283,217	150,863,318	24,706,268	175,569,586	195,030,968	(19,461,382)
MFJ	\$500,000 under \$1,000,000	422,476	284,719,432	673,930	69,131,455	4,824,775	73,956,230	79,184,309	(5,228,079)
MFJ	\$1,000,000 under \$1,500,000	90,920	109,520,611	1,204,604	27,693,205	1,254,839	28,948,044	31,515,713	(2,567,669)
MFJ	\$1,500,000 under \$2,000,000	36,903	63,453,584	1,719,470	16,274,887	584,761	16,859,648	18,491,756	(1,632,108)
MFJ	\$2,000,000 under \$5,000,000	50,864	150,066,571	2,950,349	38,789,454	1,085,888	39,875,342	44,269,727	(4,394,385)
MFJ	\$5,000,000 under \$10,000,000	11,623	78,981,667	6,795,291	20,130,002	429,731	20,559,733	23,523,061	(2,963,327)
MFJ	\$10,000,000 or more	6,517	186,674,848	28,644,292	42,369,340	522,738	42,892,078	55,906,329	(13,014,251)
MFJ	Taxable returns, total	36,328,386	4,587,716,829	126,285	614,475,742	206,117,659	820,593,401	876,978,477	(56,385,076)
MFJ	No adjusted gross income	2,090	(3,279,803)	0	52,446	0	52,446	0	52,446
MFJ	\$1 under \$5,000	17	34	2,000	1,470	1	1,471	0	1,471
MFJ	\$5,000 under \$10,000	0	0	0	0	0	0	0	0
MFJ	\$10,000 under \$15,000	212	2,624	12,377	237	128	365	26	339
MFJ	\$15,000 under \$20,000	12,062	232,657	19,288	1,617	13,194	14,811	2,327	12,484
MFJ	\$20,000 under \$25,000	293,795	6,786,138	23,098	52,985	391,835	444,820	67,861	376,958
MFJ	\$25,000 under \$30,000	663,990	18,366,233	27,660	277,252	1,056,430	1,333,682	342,646	991,037
MFJ	\$30,000 under \$40,000	1,829,929	64,587,354	35,295	1,682,149	3,901,466	5,583,615	2,341,395	3,242,220
MFJ	\$40,000 under \$50,000	2,385,535	107,565,728	45,091	4,091,371	6,465,473	10,556,844	5,389,119	5,167,725
MFJ	\$50,000 under \$75,000	8,431,000	531,080,354	62,991	28,339,174	31,633,903	59,973,077	45,091,321	14,881,756
MFJ	\$75,000 under \$100,000	8,112,266	705,396,991	86,954	48,315,158	42,466,272	90,781,430	91,963,174	(1,181,743)
MFJ	\$100,000 under \$200,000	11,215,624	1,504,719,338	134,163	166,410,222	86,720,423	253,130,645	285,985,347	(32,854,703)
MFJ	\$200,000 under \$500,000	2,765,288	783,182,620	283,219	150,863,318	24,825,924	175,689,242	194,166,788	(18,477,546)
MFJ	\$500,000 under \$1,000,000	420,700	283,515,274	673,913	69,131,455	4,805,447	73,936,902	78,849,257	(4,912,355)
MFJ	\$1,000,000 or more	195,876	585,561,288	2,989,449	145,256,888	3,837,163	149,094,051	172,779,215	(23,685,164)
MFJ	Nontaxable returns, total	17,241,772	376,689,930	21,848	0	32,642,735	32,642,735	27,315,728	5,327,008
MFJ	No adjusted gross income	801,446	(123,408,266)	(153,982)	0	1,144,406	1,144,406	0	1,144,406
MFJ	\$1 under \$5,000	852,207	2,197,028	2,578	0	161,917	161,917	21,970	139,947
MFJ	\$5,000 under \$10,000	1,238,790	9,547,731	7,707	0	498,513	498,513	95,477	403,036
MFJ	\$10,000 under \$15,000	1,911,192	24,012,410	12,564	0	1,294,647	1,294,647	240,124	1,054,523
MFJ	\$15,000 under \$20,000	2,063,973	36,256,999	17,567	0	2,093,680	2,093,680	362,570	1,731,110
MFJ	\$20,000 under \$25,000	2,047,417	45,734,391	22,338	0	2,893,263	2,893,263	457,344	2,435,919
MFJ	\$25,000 under \$30,000	1,587,108	43,508,134	27,413	0	2,877,405	2,877,405	779,820	2,097,584
MFJ	\$30,000 under \$40,000	2,550,011	88,945,297	34,880	0	5,979,407	5,979,407	3,157,005	2,822,402
MFJ	\$40,000 under \$50,000	1,704,951	75,976,575	44,562	0	5,104,981	5,104,981	3,761,518	1,343,463
MFJ	\$50,000 under \$75,000	1,891,929	112,764,722	59,603	0	7,452,778	7,452,778	8,836,459	(1,383,681)
MFJ	\$75,000 under \$100,000	445,703	37,267,147	83,614	0	2,285,011	2,285,011	4,606,025	(2,321,014)
MFJ	\$100,000 under \$200,000	131,992	16,058,885	121,666	0	718,126	718,126	2,870,784	(2,152,658)
MFJ	\$200,000 under \$500,000	12,328	3,486,725	282,830	0	102,451	102,451	864,180	(761,729)
MFJ	\$500,000 under \$1,000,000	1,776	1,204,158	678,017	0	19,562	19,562	335,051	(315,490)
MFJ	\$1,000,000 or more	949	3,137,994	3,306,632	0	16,591	16,591	927,400	(910,809)

<sup>11</sup> The chart above reflects (i) statistical data gathered from the IRS website, Individual Statistical Tables by Size of Adjusted Gross Income, Table 1.2 found at: <http://www.irs.gov/uac/SOI-Tax-Stats---Individual-Statistical-Tables-by-Size-of-Adjusted-Gross-Income>, (ii) basic calculations to compute average AGI for purposes of measuring the expected 1/10/20/30 tax, (iii) data from Table 1.4 of the same website to estimate the portion of AGI that is attributable to income subject to FICA, (iv) a calculation of an estimate of FICA tax paid by taxpayer segment, and (v) basic calculations to compare the estimated difference in tax liability by taxpayer type and AGI. The total estimated FICA tax liability of \$425 billion represents roughly half of the FICA tax paid in 2009 based on information available at: <http://www.gpo.gov/fdsys/pkg/BUDGET-2010-SUMMARY/pdf/BUDGET-2010-SUMMARY.pdf>

## Appendix A continued

Taxpayer	Size of adjusted gross income ("AGI")	Number of Returns	(in thousands)		(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
			AGI	Average AGI	Current Income Tax	Estimated FICA Tax	Total Income and FICA Tax	1/10/20/30 Tax	Difference
Single	<b>All returns, total</b>	<b>62,819,226</b>	<b>1,872,513,524</b>	<b>29,808</b>	<b>198,420,968</b>	<b>106,746,432</b>	<b>305,167,398</b>	<b>285,640,944</b>	<b>19,526,454</b>
Single	No adjusted gross income	1,507,123	(46,648,753)	(30,952)	23,148	432,589	455,737	0	455,737
Single	\$1 under \$5,000	8,684,704	22,366,916	2,575	38,787	1,615,549	1,654,336	223,669	1,430,667
Single	\$5,000 under \$10,000	8,734,982	64,987,513	7,440	377,422	3,572,123	3,949,545	649,875	3,299,670
Single	\$10,000 under \$15,000	7,258,118	90,294,665	12,441	829,566	4,754,177	5,583,743	902,947	4,680,796
Single	\$15,000 under \$20,000	6,184,412	107,683,585	17,412	2,427,863	6,170,440	8,598,303	3,810,895	4,787,408
Single	\$20,000 under \$25,000	4,850,046	108,903,710	22,454	4,366,269	6,610,321	10,976,590	5,434,069	5,542,521
Single	\$25,000 under \$30,000	4,073,004	111,955,541	27,487	6,114,145	6,890,484	13,004,629	7,626,469	5,378,160
Single	\$30,000 under \$40,000	6,639,094	230,342,709	34,695	16,287,673	14,432,322	30,719,995	22,001,826	8,718,168
Single	\$40,000 under \$50,000	4,678,990	209,005,947	44,669	17,759,496	12,891,666	30,651,162	28,194,233	2,456,929
Single	\$50,000 under \$75,000	6,084,288	367,247,208	60,360	40,742,728	22,152,971	62,895,699	65,302,538	(2,406,839)
Single	\$75,000 under \$100,000	2,122,498	180,934,056	85,246	25,213,312	10,900,689	36,114,001	38,626,794	(2,512,793)
Single	\$100,000 under \$200,000	1,600,840	207,292,834	129,490	34,917,547	12,292,237	47,209,784	50,381,655	(3,171,871)
Single	\$200,000 under \$500,000	319,065	90,480,733	283,581	19,259,222	2,839,074	22,098,296	24,791,116	(2,692,820)
Single	\$500,000 under \$1,000,000	53,464	36,101,911	675,256	8,699,006	611,110	9,310,116	10,436,276	(1,126,160)
Single	\$1,000,000 under \$1,500,000	12,797	15,286,317	1,194,523	3,751,140	175,815	3,926,955	4,491,517	(564,562)
Single	\$1,500,000 under \$2,000,000	5,170	8,908,250	1,723,066	2,195,187	82,027	2,277,214	2,634,346	(357,133)
Single	\$2,000,000 under \$5,000,000	7,685	22,791,701	2,965,739	5,674,071	164,669	5,838,740	6,780,833	(942,093)
Single	\$5,000,000 under \$10,000,000	1,855	12,717,158	6,855,611	3,127,320	69,089	3,196,409	3,801,467	(605,058)
Single	\$10,000,000 or more	1,090	31,861,524	29,230,756	6,617,064	89,080	6,706,144	9,550,418	(2,844,275)
Single	<b>Taxable returns, total</b>	<b>37,890,393</b>	<b>1,693,109,478</b>	<b>44,684</b>	<b>198,420,968</b>	<b>91,561,694</b>	<b>289,982,662</b>	<b>228,491,195</b>	<b>61,491,467</b>
Single	No adjusted gross income	1,394	(1,162,141)	0	23,148	0	23,148	0	23,148
Single	\$1 under \$5,000	305,561	825,887	2,703	38,787	21,125	59,912	8,259	51,654
Single	\$5,000 under \$10,000	1,889,266	14,308,642	7,574	377,422	1,000,032	1,377,454	143,086	1,234,368
Single	\$10,000 under \$15,000	2,808,602	36,627,564	13,041	829,566	1,783,545	2,613,111	503,079	2,110,032
Single	\$15,000 under \$20,000	4,641,153	81,212,284	17,498	2,427,863	4,605,484	7,033,347	2,899,931	4,133,416
Single	\$20,000 under \$25,000	3,998,388	89,881,263	22,479	4,366,269	5,189,786	9,556,055	4,489,940	5,066,115
Single	\$25,000 under \$30,000	3,545,636	97,502,780	27,499	6,114,145	5,608,384	11,722,529	6,647,626	5,074,904
Single	\$30,000 under \$40,000	6,243,769	216,753,979	34,715	16,287,673	13,093,249	29,380,922	20,717,133	8,663,789
Single	\$40,000 under \$50,000	4,457,318	199,210,426	44,693	17,759,496	11,973,977	29,733,473	26,890,408	2,843,065
Single	\$50,000 under \$75,000	5,914,729	357,411,025	60,427	40,742,728	21,289,256	62,031,984	63,602,181	(1,570,197)
Single	\$75,000 under \$100,000	2,099,692	178,987,502	85,245	25,213,312	10,775,396	35,988,708	38,211,022	(2,222,314)
Single	\$100,000 under \$200,000	1,587,467	205,607,355	129,519	34,917,547	12,195,779	47,113,326	49,974,637	(2,861,311)
Single	\$200,000 under \$500,000	316,157	89,662,382	283,601	19,259,222	2,839,503	22,098,725	24,567,057	(2,468,331)
Single	\$500,000 under \$1,000,000	52,964	35,756,240	675,105	8,699,006	605,461	9,304,467	10,336,263	(1,031,795)
Single	\$1,000,000 or more	28,299	90,524,291	3,198,851	21,364,782	580,714	21,945,496	26,948,582	(5,003,086)
Single	<b>Nontaxable returns, total</b>	<b>24,928,833</b>	<b>179,404,046</b>	<b>7,197</b>	<b>0</b>	<b>13,266,555</b>	<b>13,266,555</b>	<b>1,794,040</b>	<b>11,472,515</b>
Single	No adjusted gross income	1,505,729	(45,486,612)	(30,209)	0	0	0	0	0
Single	\$1 under \$5,000	8,379,143	21,541,029	2,571	0	1,587,533	1,587,533	215,410	1,372,123
Single	\$5,000 under \$10,000	6,845,716	50,678,871	7,403	0	2,646,081	2,646,081	506,789	2,139,292
Single	\$10,000 under \$15,000	4,449,516	53,667,101	12,061	0	2,893,502	2,893,502	536,671	2,356,831
Single	\$15,000 under \$20,000	1,543,259	26,471,301	17,153	0	1,528,600	1,528,600	910,964	617,636
Single	\$20,000 under \$25,000	851,658	19,022,447	22,336	0	1,203,404	1,203,404	944,129	259,274
Single	\$25,000 under \$30,000	527,368	14,452,761	27,405	0	955,832	955,832	978,843	(23,012)
Single	\$30,000 under \$40,000	395,325	13,588,730	34,374	0	913,511	913,511	1,284,693	(371,181)
Single	\$40,000 under \$50,000	221,672	9,795,521	44,189	0	658,176	658,176	1,303,825	(645,649)
Single	\$50,000 under \$75,000	169,559	9,836,183	58,010	0	650,087	650,087	1,700,357	(1,050,270)
Single	\$75,000 under \$100,000	22,806	1,946,554	85,353	0	119,352	119,352	415,772	(296,420)
Single	\$100,000 under \$200,000	13,373	1,685,479	126,036	0	75,372	75,372	407,018	(331,646)
Single	\$200,000 under \$500,000	2,908	818,351	281,414	0	24,137	24,137	224,059	(199,921)
Single	\$500,000 under \$1,000,000	500	345,671	691,342	0	5,554	5,554	100,014	(94,460)
Single	\$1,000,000 or more	301	1,040,659	3,457,339	0	5,416	5,416	309,978	(304,562)

## Appendix A continued

Taxpayer	Size of adjusted gross income ("AGI")	Number of Returns	(in thousands)		(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
			AGI	Average AGI	Current Income Tax	Estimated FICA Tax	Total Income and FICA Tax	1/10/20/30 Tax	Difference
SS	All returns, total	68,880	3,066,884	44,525	279,690	175,985	455,674	403,354	52,320
SS	No adjusted gross income	1,665	(254,302)	(152,734)	0	2,358	2,358	0	2,358
SS	\$1 under \$5,000	2,147	2,425	1,129	0	175	175	24	151
SS	\$5,000 under \$10,000	4,001	29,535	7,382	0	1,623	1,623	295	1,328
SS	\$10,000 under \$15,000	6,526	80,039	12,265	0	4,214	4,214	800	3,414
SS	\$15,000 under \$20,000	5,684	102,686	18,066	0	5,884	5,884	1,027	4,857
SS	\$20,000 under \$25,000	6,998	160,408	22,922	156	9,737	9,893	1,604	8,288
SS	\$25,000 under \$30,000	7,008	199,115	28,413	0	12,255	12,255	4,144	8,111
SS	\$30,000 under \$40,000	11,350	395,080	34,809	2,337	24,754	27,091	13,971	13,121
SS	\$40,000 under \$50,000	2,999	144,794	48,281	5,404	8,931	14,335	7,732	6,603
SS	\$50,000 under \$75,000	12,446	792,990	63,714	46,959	47,834	94,793	68,365	26,429
SS	\$75,000 under \$100,000	2,762	232,654	84,234	17,204	14,017	31,221	29,057	2,164
SS	\$100,000 under \$200,000	4,238	585,304	138,109	70,406	32,931	103,337	113,081	(9,744)
SS	\$200,000 under \$500,000	1,005	395,794	393,825	61,812	9,958	71,770	103,914	(32,145)
SS	\$500,000 under \$1,000,000	0	0	0	24,957	0	24,957	0	24,957
SS	\$1,000,000 under \$1,500,000	0	0	0	0	0	0	0	0
SS	\$1,500,000 under \$2,000,000	17	29,636	1,743,294	5,786	272	6,058	8,640	(2,582)
SS	\$2,000,000 under \$5,000,000	27	87,216	3,230,222	24,033	615	24,648	25,767	(1,119)
SS	\$5,000,000 under \$10,000,000	8	83,508	10,438,500	20,635	427	21,062	24,934	(3,872)
SS	\$10,000,000 or more	0	0	0	0	0	0	0	0
SS	Taxable returns, total	29,236	2,507,706	85,775	279,690	123,567	403,257	321,081	82,176
SS	No adjusted gross income	0	0	0	0	0	0	0	0
SS	\$1 under \$5,000	0	0	0	0	0	0	0	0
SS	\$5,000 under \$10,000	0	0	0	0	0	0	0	0
SS	\$10,000 under \$15,000	0	0	0	0	0	0	0	0
SS	\$15,000 under \$20,000	0	0	0	0	0	0	0	0
SS	\$20,000 under \$25,000	1,997	47,548	23,810	156	2,745	2,901	475	2,426
SS	\$25,000 under \$30,000	0	0	0	0	0	0	0	0
SS	\$30,000 under \$40,000	4,299	149,347	34,740	2,337	9,021	11,358	5,262	6,097
SS	\$40,000 under \$50,000	2,989	144,344	48,292	5,404	8,676	14,080	7,709	6,371
SS	\$50,000 under \$75,000	12,236	780,922	63,822	46,959	46,516	93,475	67,473	26,001
SS	\$75,000 under \$100,000	2,438	207,984	85,309	17,204	12,521	29,725	26,435	3,290
SS	\$100,000 under \$200,000	4,229	584,216	138,145	70,406	32,879	103,285	112,887	(9,602)
SS	\$200,000 under \$500,000	996	392,984	394,562	61,812	9,990	71,802	103,204	(31,402)
SS	\$500,000 under \$1,000,000	0	0	0	24,957	0	24,957	0	24,957
SS	\$1,000,000 or more	52	200,360	3,853,077	50,454	1,218	51,672	59,341	(7,669)
SS	Nontaxable returns, total	39,643	559,178	14,105	0	51,259	51,259	5,592	45,668
SS	No adjusted gross income	1,665	(254,302)	(152,734)	0	0	0	0	0
SS	\$1 under \$5,000	2,147	2,425	1,129	0	179	179	24	154
SS	\$5,000 under \$10,000	4,001	29,535	7,382	0	1,542	1,542	295	1,247
SS	\$10,000 under \$15,000	6,526	80,039	12,265	0	4,315	4,315	800	3,515
SS	\$15,000 under \$20,000	5,684	102,686	18,066	0	5,930	5,930	1,027	4,903
SS	\$20,000 under \$25,000	5,001	112,860	22,567	0	7,140	7,140	1,129	6,011
SS	\$25,000 under \$30,000	7,008	199,115	28,413	0	13,168	13,168	4,144	9,025
SS	\$30,000 under \$40,000	7,051	245,733	34,851	0	16,520	16,520	8,709	7,811
SS	\$40,000 under \$50,000	10	450	45,000	0	30	30	23	8
SS	\$50,000 under \$75,000	210	12,068	57,467	0	798	798	891	(94)
SS	\$75,000 under \$100,000	324	24,670	76,142	0	1,513	1,513	2,622	(1,109)
SS	\$100,000 under \$200,000	9	1,088	120,889	0	49	49	194	(145)
SS	\$200,000 under \$500,000	9	2,810	312,222	0	77	77	710	(634)
SS	\$500,000 under \$1,000,000	0	0	0	0	0	0	0	0
SS	\$1,000,000 or more	(2)	1	(500)	0	0	0	0	0

## Appendix A continued

Taxpayer	Size of adjusted gross income ("AGI")	Number of Returns	(in thousands)		(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
			AGI	Average AGI	Current Income Tax	Estimated FICA Tax	Total Income and FICA Tax	1/10/20/30 Tax	Difference
MFS	<b>All returns, total</b>	<b>2,539,588</b>	<b>114,927,175</b>	<b>45,254</b>	<b>18,355,411</b>	<b>6,194,730</b>	<b>24,550,142</b>	<b>19,158,057</b>	<b>5,392,085</b>
MFS	No adjusted gross income	88,707	(18,638,649)	(210,115)	8,733	172,842	181,575	0	181,575
MFS	\$1 under \$5,000	156,281	383,049	2,451	1,593	27,667	29,260	3,830	25,430
MFS	\$5,000 under \$10,000	192,961	1,469,768	7,617	0	80,788	80,788	14,698	66,090
MFS	\$10,000 under \$15,000	184,461	2,314,040	12,545	17,631	121,838	139,469	23,140	116,329
MFS	\$15,000 under \$20,000	194,003	3,392,837	17,489	73,843	194,415	268,258	33,928	234,330
MFS	\$20,000 under \$25,000	203,274	4,596,811	22,614	173,501	279,021	452,522	45,968	406,554
MFS	\$25,000 under \$30,000	193,709	5,319,141	27,459	275,429	327,375	602,804	96,069	506,735
MFS	\$30,000 under \$40,000	385,504	13,432,769	34,845	845,887	841,642	1,687,529	475,893	1,211,636
MFS	\$40,000 under \$50,000	288,908	12,983,549	44,940	983,098	800,836	1,783,934	648,312	1,135,623
MFS	\$50,000 under \$75,000	361,974	21,869,751	60,418	2,200,356	1,319,220	3,519,576	1,749,639	1,769,938
MFS	\$75,000 under \$100,000	144,028	12,285,587	85,300	1,676,384	740,167	2,416,551	1,561,263	855,288
MFS	\$100,000 under \$200,000	105,338	13,697,788	130,037	2,375,455	809,463	3,184,918	2,555,601	629,317
MFS	\$200,000 under \$500,000	34,446	12,268,787	356,175	1,924,260	329,414	2,253,674	3,172,558	(918,884)
MFS	\$500,000 under \$1,000,000	0	0	0	969,888	0	969,888	0	969,888
MFS	\$1,000,000 under \$1,500,000	2,071	2,511,553	1,212,725	604,511	28,688	633,199	722,919	(89,720)
MFS	\$1,500,000 under \$2,000,000	1,080	1,851,053	1,713,938	442,071	17,080	459,151	539,386	(80,234)
MFS	\$2,000,000 under \$5,000,000	1,878	5,665,963	3,017,020	1,351,890	40,732	1,392,622	1,672,088	(279,467)
MFS	\$5,000,000 under \$10,000,000	532	3,661,541	6,882,596	849,329	19,879	869,208	1,090,615	(221,407)
MFS	\$10,000,000 or more	434	15,861,839	36,548,016	3,581,553	43,663	3,625,216	4,752,150	(1,126,934)
MFS	<b>Taxable returns, total</b>	<b>1,815,504</b>	<b>124,120,547</b>	<b>68,367</b>	<b>18,355,411</b>	<b>5,446,433</b>	<b>23,801,844</b>	<b>11,661,705</b>	<b>12,140,139</b>
MFS	No adjusted gross income	269	(551,462)	0	8,733	0	8,733	0	8,733
MFS	\$1 under \$5,000	11,007	89,939	8,171	1,593	2,301	3,894	899	2,994
MFS	\$5,000 under \$10,000	0	0	0	0	0	0	0	0
MFS	\$10,000 under \$15,000	68,066	903,194	13,269	17,631	43,980	61,611	9,032	52,579
MFS	\$15,000 under \$20,000	147,643	2,588,970	17,535	73,843	146,818	220,661	25,890	194,772
MFS	\$20,000 under \$25,000	154,010	3,504,007	22,752	173,501	202,323	375,824	35,040	340,784
MFS	\$25,000 under \$30,000	169,454	4,655,131	27,471	275,429	267,764	543,193	84,242	458,952
MFS	\$30,000 under \$40,000	350,721	12,218,833	34,839	845,887	738,091	1,583,978	432,761	1,151,217
MFS	\$40,000 under \$50,000	272,205	12,235,470	44,949	983,098	735,440	1,718,538	611,086	1,107,452
MFS	\$50,000 under \$75,000	354,687	21,453,129	60,485	2,200,356	1,277,860	3,478,216	1,719,145	1,759,071
MFS	\$75,000 under \$100,000	143,356	12,224,368	85,273	1,676,384	735,931	2,412,315	1,552,809	859,505
MFS	\$100,000 under \$200,000	104,447	13,564,847	129,873	2,375,455	802,813	3,178,268	2,528,861	649,407
MFS	\$200,000 under \$500,000	33,765	11,995,394	355,261	1,924,260	326,130	2,250,390	3,100,584	(850,194)
MFS	\$500,000 under \$1,000,000	0	0	0	969,888	0	969,888	0	969,888
MFS	\$1,000,000 or more	5,873	29,238,728	4,978,500	6,829,354	166,982	6,996,336	8,684,992	(1,688,655)
MFS	<b>Nontaxable returns, total</b>	<b>724,084</b>	<b>(9,193,372)</b>	<b>(12,697)</b>	<b>0</b>	<b>511,031</b>	<b>511,031</b>	<b>0</b>	<b>511,031</b>
MFS	No adjusted gross income	88,438	(18,087,187)	(204,518)	0	0	0	0	0
MFS	\$1 under \$5,000	145,274	293,110	2,018	0	21,602	21,602	2,931	18,671
MFS	\$5,000 under \$10,000	192,961	1,469,768	7,617	0	76,741	76,741	14,698	62,043
MFS	\$10,000 under \$15,000	116,395	1,410,846	12,121	0	76,067	76,067	14,108	61,958
MFS	\$15,000 under \$20,000	46,360	803,867	17,340	0	46,420	46,420	8,039	38,381
MFS	\$20,000 under \$25,000	49,264	1,092,804	22,183	0	69,133	69,133	10,928	58,205
MFS	\$25,000 under \$30,000	24,255	664,010	27,376	0	43,914	43,914	11,827	32,087
MFS	\$30,000 under \$40,000	34,783	1,213,936	34,900	0	81,608	81,608	43,132	38,476
MFS	\$40,000 under \$50,000	16,703	748,079	44,787	0	50,265	50,265	37,226	13,038
MFS	\$50,000 under \$75,000	7,287	416,622	57,173	0	27,535	27,535	30,494	(2,959)
MFS	\$75,000 under \$100,000	672	61,219	91,100	0	3,754	3,754	8,454	(4,700)
MFS	\$100,000 under \$200,000	891	132,941	149,204	0	5,945	5,945	26,740	(20,795)
MFS	\$200,000 under \$500,000	681	273,393	401,458	0	6,234	6,234	71,973	(65,740)
MFS	\$500,000 under \$1,000,000	0	0	0	0	0	0	0	0
MFS	\$1,000,000 or more	120	313,220	2,610,167	0	1,815	1,815	92,196	(90,381)



## Appendix A continued

Taxpayer	Size of adjusted gross income ("AGI")	Number of Returns	(in thousands)		(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
			AGI	Average AGI	Current Income Tax	Estimated FICA Tax	Total Income and FICA Tax	1/10/20/30 Tax	Difference
HOH	All returns, total	21,496,275	671,516,380	31,239	34,416,884	39,106,085	73,522,969	70,363,707	3,159,262
HOH	No adjusted gross income	110,894	(6,728,679)	(60,677)	1,049	62,397	63,446	0	63,446
HOH	\$1 under \$5,000	752,280	2,269,157	3,016	2	163,900	163,902	22,692	141,210
HOH	\$5,000 under \$10,000	2,049,601	16,372,731	7,988	855	899,948	900,803	163,727	737,076
HOH	\$10,000 under \$15,000	3,084,002	38,762,028	12,569	640	2,040,891	2,041,531	387,620	1,653,910
HOH	\$15,000 under \$20,000	2,940,094	51,348,795	17,465	12,950	2,942,368	2,955,318	724,739	2,230,579
HOH	\$20,000 under \$25,000	2,632,356	58,986,278	22,408	76,498	3,580,394	3,656,892	1,950,094	1,706,799
HOH	\$25,000 under \$30,000	2,137,574	58,646,066	27,436	160,739	3,609,467	3,770,206	2,658,246	1,111,960
HOH	\$30,000 under \$40,000	2,955,760	102,176,564	34,569	1,333,837	6,401,961	7,735,798	6,149,139	1,586,658
HOH	\$40,000 under \$50,000	1,735,030	77,412,205	44,617	2,564,935	4,774,851	7,339,786	7,096,463	243,324
HOH	\$50,000 under \$75,000	1,913,255	115,313,793	60,271	6,632,857	6,955,923	13,588,780	15,780,464	(2,191,684)
HOH	\$75,000 under \$100,000	636,468	54,221,478	85,191	5,270,564	3,266,668	8,537,232	10,007,841	(1,470,610)
HOH	\$100,000 under \$200,000	464,016	59,092,748	127,351	8,516,958	3,552,432	12,069,390	13,165,000	(1,095,610)
HOH	\$200,000 under \$500,000	68,995	19,729,914	285,962	4,213,536	615,430	4,828,966	5,240,523	(411,558)
HOH	\$500,000 under \$1,000,000	10,539	7,018,964	665,999	1,632,878	119,723	1,752,601	2,002,056	(249,455)
HOH	\$1,000,000 under \$1,500,000	2,308	2,828,756	1,225,631	707,014	32,156	739,170	825,931	(86,761)
HOH	\$1,500,000 under \$2,000,000	1,102	1,905,677	1,729,289	475,305	17,522	492,827	560,867	(68,040)
HOH	\$2,000,000 under \$5,000,000	1,464	4,374,939	2,988,346	1,104,182	31,538	1,135,720	1,298,086	(162,365)
HOH	\$5,000,000 under \$10,000,000	536	7,784,967	14,524,192	1,712,085	38,516	1,750,601	2,330,219	(579,618)
HOH	\$10,000,000 or more	0	0	0	0	0	0	0	0
HOH	Taxable returns, total	5,826,669	370,230,352	63,541	34,416,884	20,451,289	54,868,173	53,773,527	1,094,646
HOH	No adjusted gross income	66	(29,211)	0	1,049	0	1,049	0	1,049
HOH	\$1 under \$5,000	6	28	4,667	2	1	3	0	2
HOH	\$5,000 under \$10,000	61	469	7,689	855	33	888	5	883
HOH	\$10,000 under \$15,000	7,026	98,152	13,970	640	4,779	5,419	982	4,438
HOH	\$15,000 under \$20,000	67,193	1,223,216	18,205	12,950	69,368	82,318	21,532	60,786
HOH	\$20,000 under \$25,000	190,895	4,315,934	22,609	76,498	249,204	325,702	145,251	180,451
HOH	\$25,000 under \$30,000	224,682	6,234,760	27,749	160,739	358,625	519,364	286,453	232,911
HOH	\$30,000 under \$40,000	1,161,127	41,257,769	35,533	1,333,837	2,492,218	3,826,055	2,639,440	1,186,615
HOH	\$40,000 under \$50,000	1,262,970	56,621,764	44,832	2,564,935	3,403,375	5,968,310	5,219,998	748,312
HOH	\$50,000 under \$75,000	1,736,742	105,146,959	60,543	6,632,857	6,263,099	12,895,956	14,466,125	(1,570,169)
HOH	\$75,000 under \$100,000	629,348	53,634,121	85,222	5,270,564	3,228,879	8,499,443	9,901,648	(1,402,205)
HOH	\$100,000 under \$200,000	462,786	58,910,683	127,296	8,516,958	3,544,389	12,061,347	13,122,476	(1,061,129)
HOH	\$200,000 under \$500,000	68,127	19,479,906	285,935	4,213,536	613,373	4,826,909	5,174,056	(347,147)
HOH	\$500,000 under \$1,000,000	10,326	6,870,714	665,380	1,632,878	117,279	1,750,157	1,959,675	(209,518)
HOH	\$1,000,000 or more	5,313	16,465,088	3,099,019	3,998,586	106,668	4,105,254	4,887,282	(782,028)
HOH	Nontaxable returns, total	15,669,606	301,286,029	19,227	0	19,146,002	19,146,002	6,624,194	12,521,808
HOH	No adjusted gross income	110,828	(6,699,468)	(60,449)	0	0	0	0	0
HOH	\$1 under \$5,000	752,274	2,269,129	3,016	0	167,231	167,231	22,691	144,539
HOH	\$5,000 under \$10,000	2,049,540	16,372,262	7,988	0	854,840	854,840	163,723	691,117
HOH	\$10,000 under \$15,000	3,076,976	38,663,876	12,566	0	2,084,592	2,084,592	386,639	1,697,953
HOH	\$15,000 under \$20,000	2,872,901	50,125,579	17,448	0	2,894,529	2,894,529	703,206	2,191,322
HOH	\$20,000 under \$25,000	2,441,461	54,670,344	22,392	0	3,458,571	3,458,571	1,804,843	1,653,729
HOH	\$25,000 under \$30,000	1,912,892	52,411,306	27,399	0	3,466,215	3,466,215	2,371,793	1,094,422
HOH	\$30,000 under \$40,000	1,794,633	60,918,795	33,945	0	4,095,307	4,095,307	3,509,700	585,607
HOH	\$40,000 under \$50,000	472,060	20,790,441	44,042	0	1,396,941	1,396,941	1,876,465	(479,524)
HOH	\$50,000 under \$75,000	176,513	10,166,834	57,598	0	671,940	671,940	1,314,339	(642,399)
HOH	\$75,000 under \$100,000	7,120	587,357	82,494	0	36,013	36,013	106,194	(70,180)
HOH	\$100,000 under \$200,000	1,230	182,065	148,020	0	8,142	8,142	42,525	(34,383)
HOH	\$200,000 under \$500,000	868	250,008	288,028	0	7,246	7,246	66,467	(59,222)
HOH	\$500,000 under \$1,000,000	213	148,250	696,009	0	2,373	2,373	42,381	(40,008)
HOH	\$1,000,000 or more	97	429,251	4,425,268	0	2,063	2,063	127,821	(125,759)